

Message Text

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PAGE 01 ISTANB 02136 141839Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
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R 140608Z JUL 78
FM AMCONSUL ISTANBUL
TO SECSTATE WASHDC 0138
INFO AMEMBASSY ANKARA
AMCONSUL IZMIR
AMCONSUL ADANA

LIMITED OFFICIAL USE ISTANBUL 2136

E.O. 11652: N/A
TAGS: EINV, TU
SUBJECT: GE OFFERS SALE OF TURKISH SUBSIDIARY

REF: A) ISTANBUL A-006; B) ISTANBUL 1127; C) ANKARA 4861

BEGIN UNCLASSIFIED:

1. GENERAL ELECTRIC, ON JULY 7, OFFERED FOR SALE TO LOCAL PARTNERS ITS 51 PERCENT SHARE OF TURK GENERAL ELEKTRIK ENDUSTRI, A MANUFACTURER OF DOMESTIC REFRIGERATOR PARTS. THE TWO PARTNERS ARE ARCELIK (KOC GROUP) AND IS BANK WITH 38 PERCENT AND 11 PERCENT RESPECTIVELY. PARTNERS ARE GIVEN 90 DAYS TO RESPOND BEFORE OTHER BUYERS CAN BE SOUGHT.

2. WILLIAM BAKER, AMERICAN MANAGING DIRECTOR, SAYS DECISION TAKEN BECAUSE THERE IS LITTLE HOPE THAT TRANSFERS FOR DIVIDENDS AND SUPPLIES WILL BE EFFECTED SOON AND THAT DENIAL OF \$4 MILLION EXPANSION UNDER LAW 6224 CONDEMNED PLANT TO OBSOLESCENCE AND FAILURE IN THE FUTURE. AS PURELY DOMESTIC INVESTMENT, FIRM CAN EXPAND AND MODERNIZE AND STAY
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PAGE 02 ISTANB 02136 141839Z

COMPETITIVE.

3. BAKER SAYS THERE IS LITTLE DOUBT PARTNERS WILL BUY; HE SAYS SALE OFFER PRICE OF SHARES IS VERY FAVORABLE TO THEM. THEY HAVE ASKED THAT GENERAL ELECTRIC ENTER A LICENSING AND TECHNICAL ASSISTANCE AGREEMENT.

4. FIRM EMPLOYS 870 AND HAD 1977 SALES OF TL 393 MILLION, MOSTLY TO ARCELIK. PENDING TRANSFERS INCLUDE SOME TL 50 MILLION (US\$2 MILLION) FOR SUPPLIES AND TL 20 MILLION FOR DIVIDENDS. END UNCLASSIFIED.

5. COMMENT: BEGIN LIMITED OFFICIAL USE AS A FOREIGN INVESTMENT WHICH SUPPLIES ONLY THE DOMESTIC CONSUMER MARKET, IT DOES NOT SATISFY THE PRESENT PRIORITIES FOR SUCH INVESTMENTS WHICH PRESUMABLY WAS THE REASON ITS EXPANSION UNDER LAW 6224 WAS DENIED. WITH THE DEPARTURE OF CHRYSLER (ISTANBUL 1127) AND THE SITUATION OF MOBIL OIL (ANKARA 4861) IT APPEARS THAT THE FOREIGN DISINVESTMENT IN TURKEY DISCUSSED IN ISTANBUL'S A-006 IS ACCELERATING. WE UNDERSTAND THAT CORN PRODUCTS COMPANY IS NEGOTIATING SALE OF ITS 50 PERCENT SHARE OF BESIN AND MISIR SANAYI UNDER COURT ORDER; THIS CASE IS DESCRIBED IN A-006. END LOU.

HOUGHTON

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Message Attributes

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